Steel Industry Executive Summary: August 2010

Highlights

- The United States steel trade deficit shrank 20.3% from May 2010.
- Chinese steel mill exports to the world increased 320% from June 2009 to June 2010.
- U.S. steel production in June 2010 increased 65% from one year ago.

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Trade - Imports of Steel Mill Products

- U.S. imports of all steel mill products decreased 11.3% to 1.8 million metric tons in June 2010 from May 2010, according to final June figures released by the Census Bureau.
  - U.S. steel imports in June 2010 are 135.9% above the volume in June 2009.
  - June 2010 steel imports are 50.6% above the 2009 annual average.
  - Data gathered from the licensing system reflect an increase in steel imports from June 2010 to July 2010. July 2010 imports, according to licensing figures, are estimated to be 80% above the 2009 average and 20% above June 2009 imports.

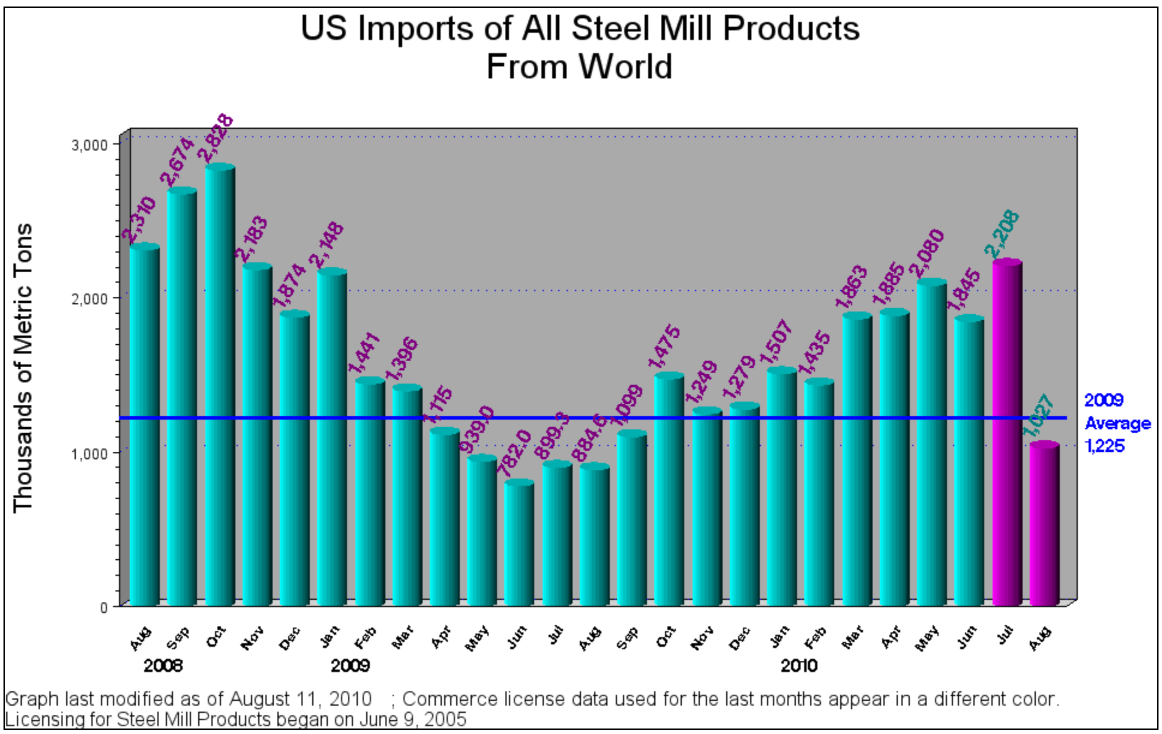

Figure 1 - US Imports of All Steel Mill Products from World

Trade - China

- Chinese steel mill exports declined in early 2010 but have since steadily increased. The trade balance for steel mill products rose to 4 million metric tons in June 2010.
  - From May to June 2010, Chinese exports increased 14.9% to 5.5 million metric tons.
  - Chinese steel exports are 32% less than the August 2008 peak level but are 319.8% higher than June 2009 exports.
  - June 2010 steel mill exports are 72% higher than December 2009 exports and 20% below June 2007 figures.
  - Chinese imports increased 8.3% in June 2010 to 1.5 million metric tons. China's steel imports for June 2010 are 5.7% lower than December 2009

imports, 25.9% lower than its imports a year ago, and 46.3% higher than the three year low of 1.01 million metric tons in January 2009.

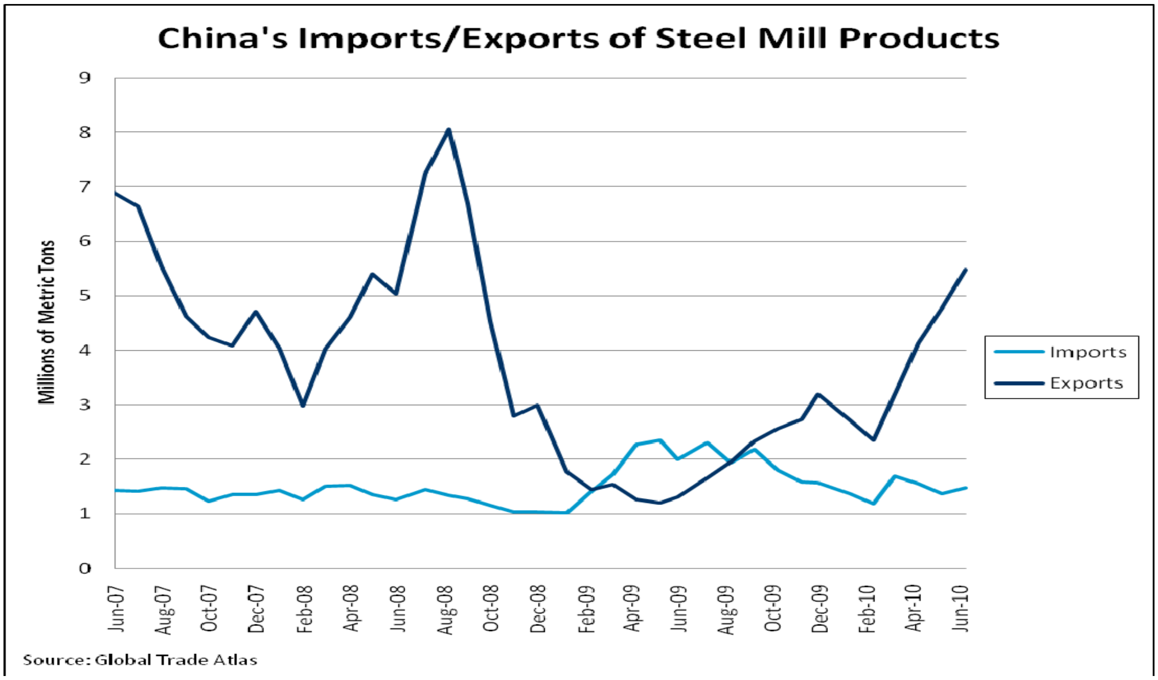

Figure 2 - China's Imports/Exports of Steel Mill Products

- According to the latest available data from the three NAFTA countries, China's share of imports into NAFTA countries increased to 3% in April 2010 from 2.4% in March and the 2.5% February 2010. The volume of steel imports from China into NAFTA countries decreased 30.6% from April 2009 to April 2010. Total April 2010 steel imports into NAFTA countries from the world were 64.4% higher in volume than April 2009.

- U.S. imports of steel mill products from China have significantly declined from highs reached in 2008.
    - In June 2010 imports increased 28.4% to 71.8 thousand metric tons according to final Census data.
    - July 2010 license data show a 22.5% increase in imports from the June 2010 Census data.
    - According to June 2010 final Census data, U.S. imports from China represent a total of 3.9% of all U.S. steel imports, more than the 2.7% in May and 2.9% in April 2010.
    - June 2010 imports from China are 35.2% below the 2009 average.

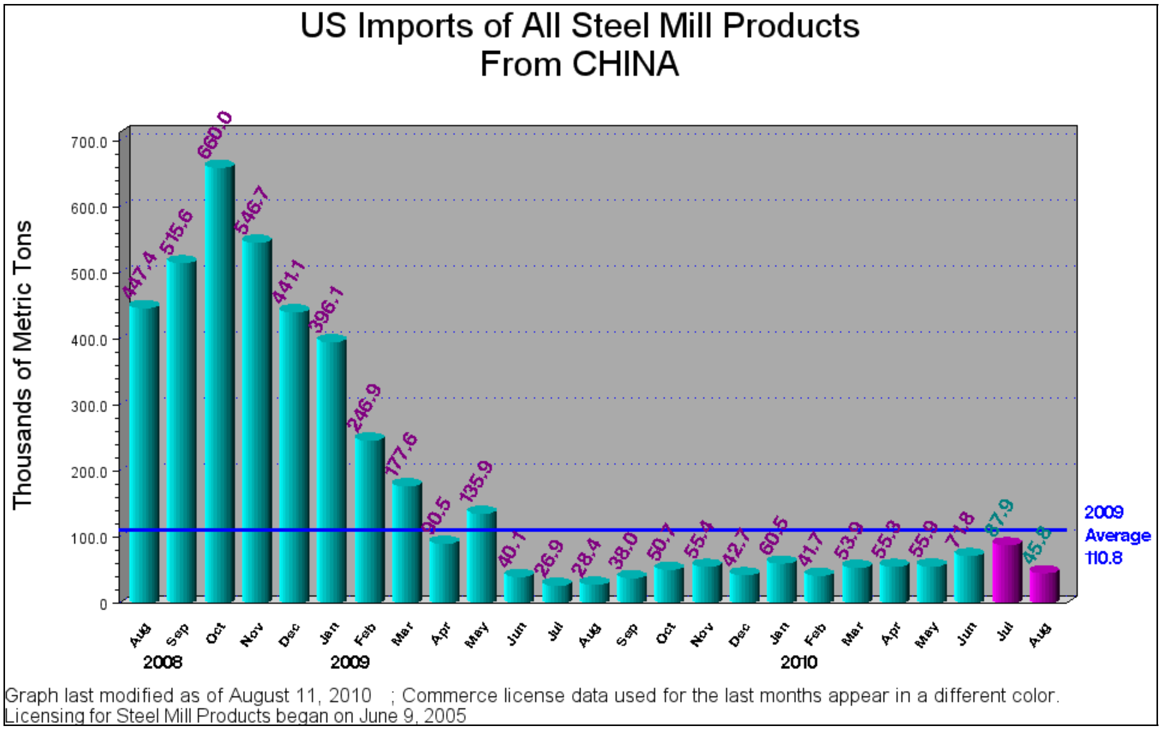

Figure 3 - US Imports of All Steel Mill Products from China

- Chinese steel mill exports increased 320% from 1.3 million metric tons in June 2009 to 5.5 million metric tons in June 2010.
    - The United States received the 18th largest share of Chinese steel exports at 1.8% in May 2010.
    - The volume of Chinese steel exports to the United States increased from 0.03 million metric tons in June 2009 to 0.1 million metric tons in June 2010.
    - From June 2009 to June 2010, China's volume of steel mill exports to South Korea increased 197%.
    - South Korea's share of Chinese steel mill exports decreased to 16.6% in June 2010, a smaller share than one year ago.

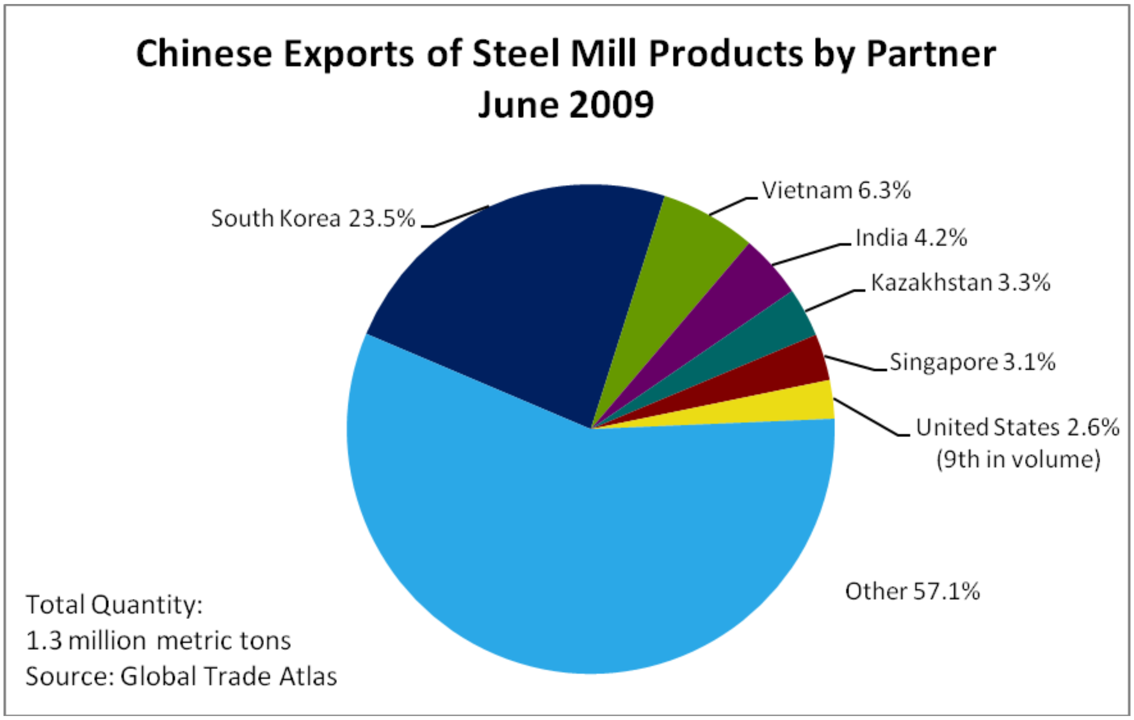

Figure 4 - Chinese Exports of Steel Mill Products by Partner in June 2009

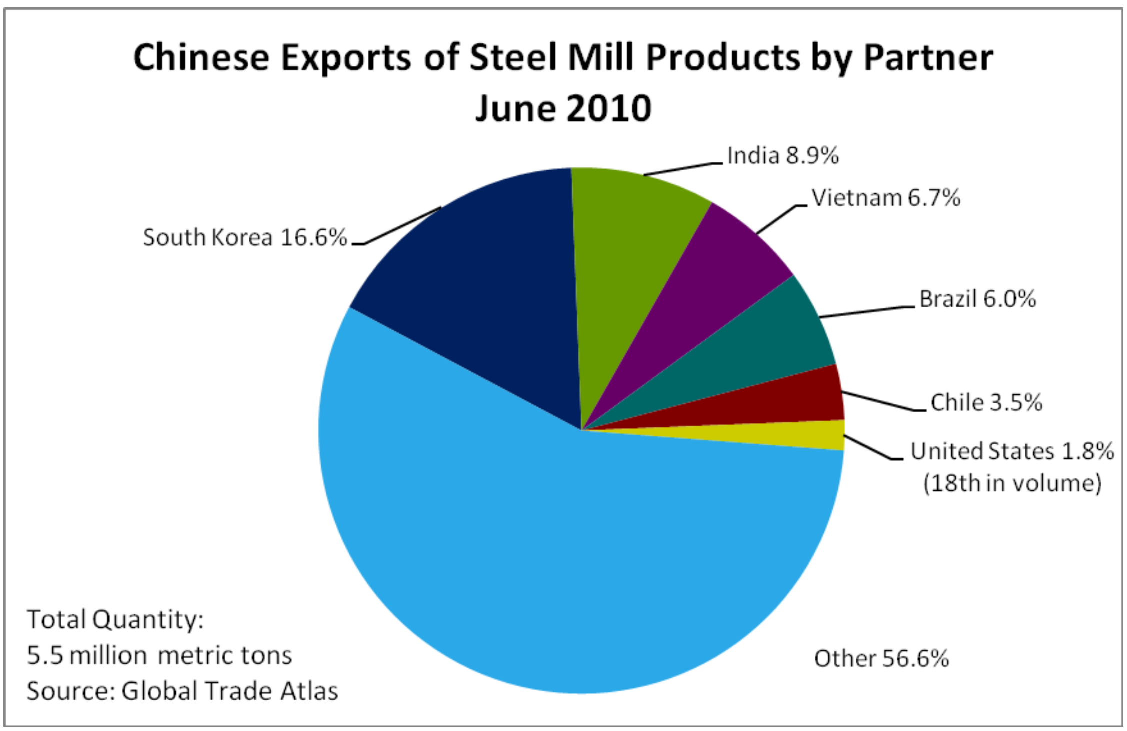

Figure 5 - Chinese Exports of Steel Mill Products by Partner in June 2010

Trade - United States Trade Balance in Steel

- U.S. imports of steel mill products have fluctuated in the past few years, while exports have remained relatively stable. The June 2010 steel trade deficit decreased to -0.9 million metric tons, 20.3% less than the deficit in May 2010.
    - In June 2010, exports decreased 0.71% from May 2010; imports decreased by 11.3%.
    - June 2010 exports are 48.5% greater than June 2009 exports; June 2010 imports are 136% more than the level a year ago, but 52.5% less than the July 2006 import peak of 3.9 million metric tons.

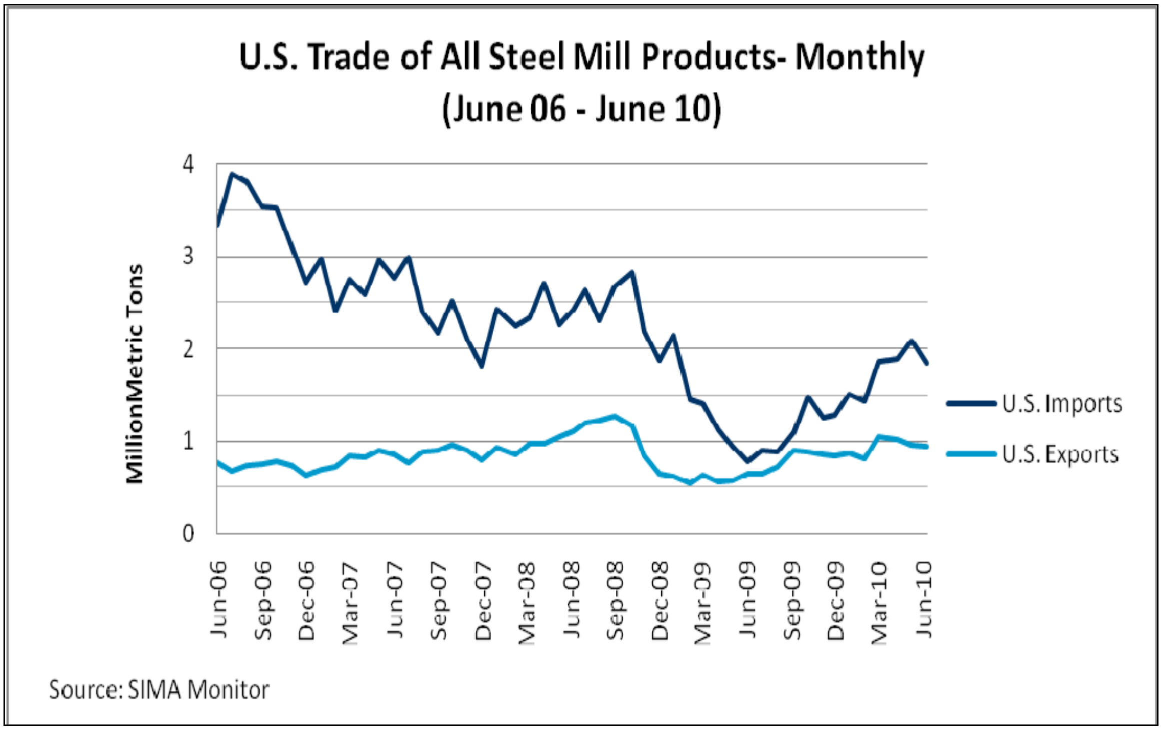

Figure 6 - U.S. Trade of All Steel Mill Products - Monthly

Trade - Steel Import Changes by Country and Product

- Notable Increases

Country	Product	Average monthly quantity May 2010 - Jul 2010 (metric tons)	Average monthly quantity Aug 2009 - Apr 2010 (metric tons)	Percent change from Historic to Current average quantity
INDIA	Plates in Coils -- C & A	13,564	1,411	861 %
WORLD	Ingots and Steel for Castings -- C & A	10,910	1,202	807 %
GERMANY	Blooms, Billets and Slabs -- C & A	19,605	2,372	726 %
FINLAND	Plates in Coils -- C & A	10,939	2,160	406 %
GERMANY	Tin Plate -- C & A	8,229	2,361	248 %
MEXICO	Wire Rods -- C & A	10,790	4,418	144 %
CANADA	Oil Country Goods -- C & A	38,501	17,325	122 %
AUSTRIA	Oil Country Goods -- C & A	13,298	6,108	117 %
WORLD	Tin Free Steel -- C & A	14,420	8,086	78 %
WORLD	Tin Plate -- C & A	42,139	27,853	51 %
VENEZUELA	Ingots and Steel for Castings -- C & A	9,660	.	.

SOURCE: US Department of Commerce, Import Administration, SIMA Table last modified August 12, 2010, with Licensing data collected through July 2010 and Final Census data compiled through June 2010.

A notable change is defined here by a significant decrease in the current three month average quantity over the previous nine months average quantity; the program examines the largest importers within each product group.
Steel mill categories are defined by 10-digit HTS codes

Production

- U.S. domestic capacity utilization maintained modest gains over a historic dip.
  - Capacity utilization peaked in February 2008 at a level of 91.6%.
  - In May 2010, estimated capacity utilization was 74.8%.
  - Capacity utilization reached its lowest point, 40.8%, in April 2009. Though capacity utilization has increased 83% above this low point and held steady, it still remains below the historical averages.

- According to data from the World Steel Association, U.S. steel production increased by 0.5% to 7.19 million metric tons in June 2010 from 7.16 million metric tons in May 2010. This marks a 65% increase from the U.S. June 2009 production level.

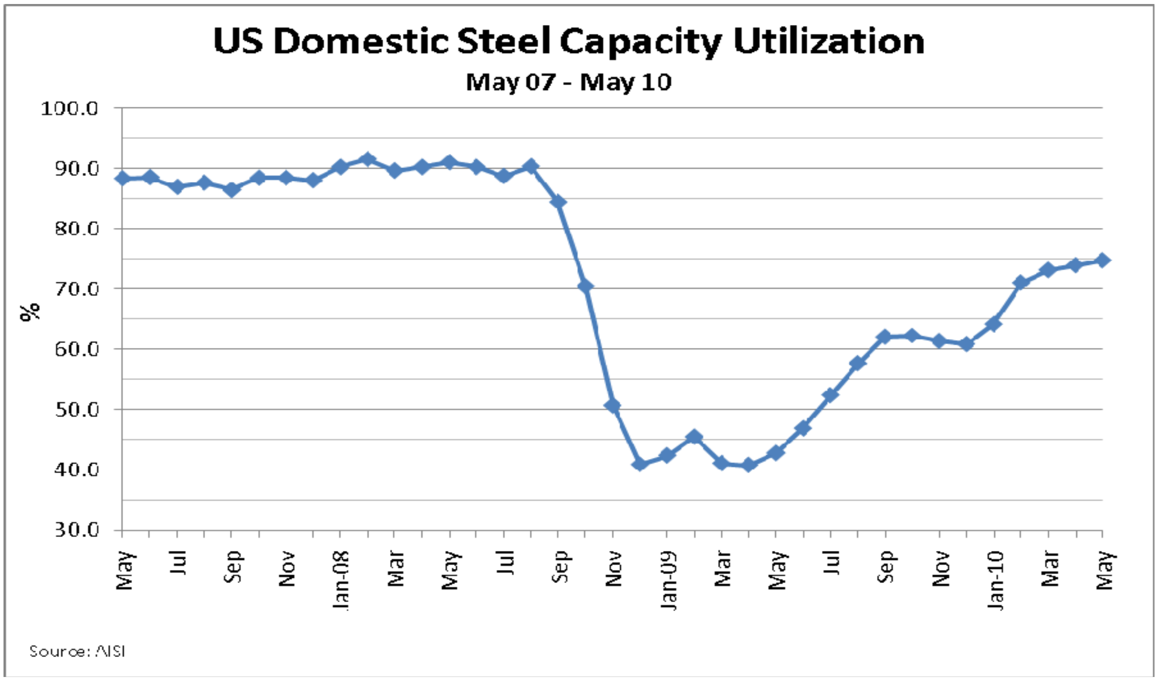

Figure 7 - U.S. Domestic Steel Capacity Utilization

- Global steel production decreased 4.4% to 118.8 million metric tons in June 2010 from 124.2 million metric tons in May 2010.
    - Global production has increased by 18% since June 2009.
    - China's June 2010 production level decreased by 4.2% to 53.8 million metric tons from 56.1 million metric tons in May.
    - The European Union 27 remains the second largest producer behind China with a June 2010 production level of 15.3 million metric tons, a 6.2% decrease from May 2010.

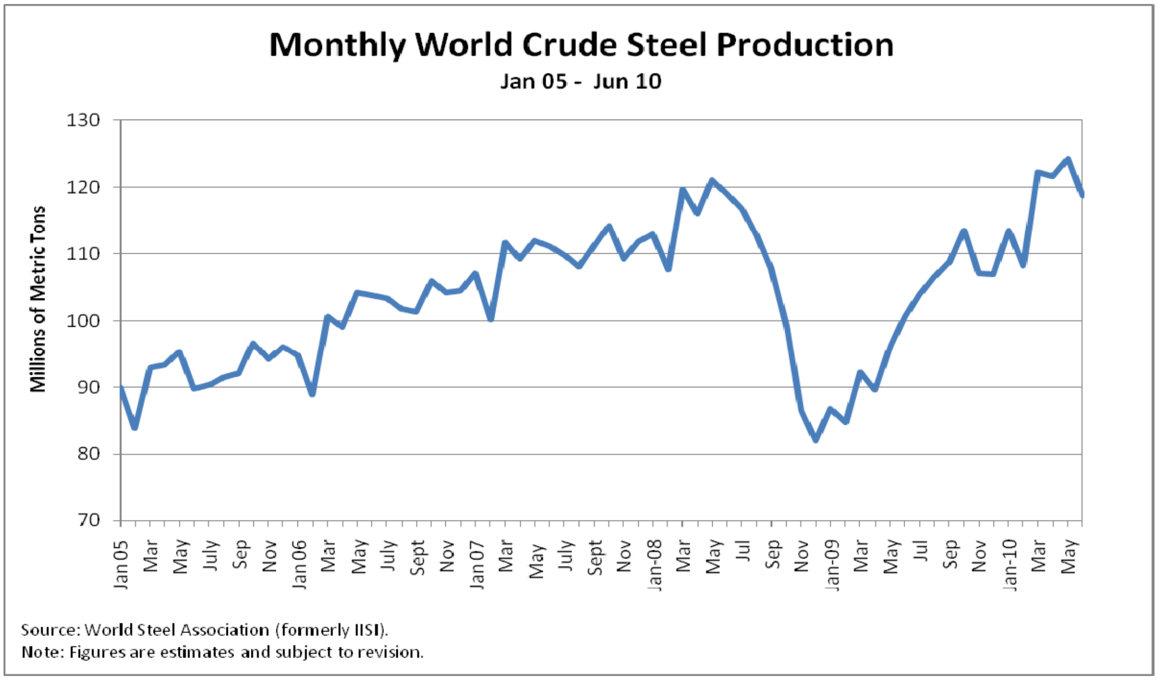

Figure 8 - Monthly World Crude Steel Production

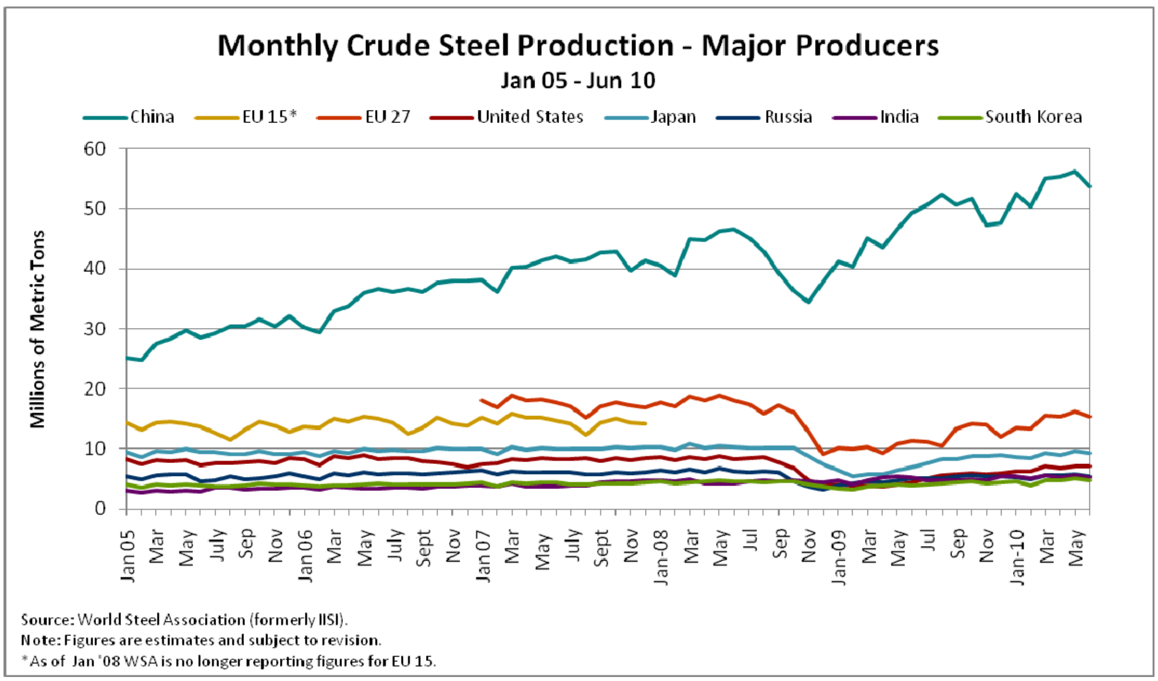

Figure 9 - Monthly Crude Steel Production - Major Producers

- China's share of total world steel production remained at 45% between May and June 2010, accounting for nearly half of monthly total world production. China's share is larger than the combined production of the U.S., the EU 27, Russia, and Japan, which historically were the largest producers of steel.

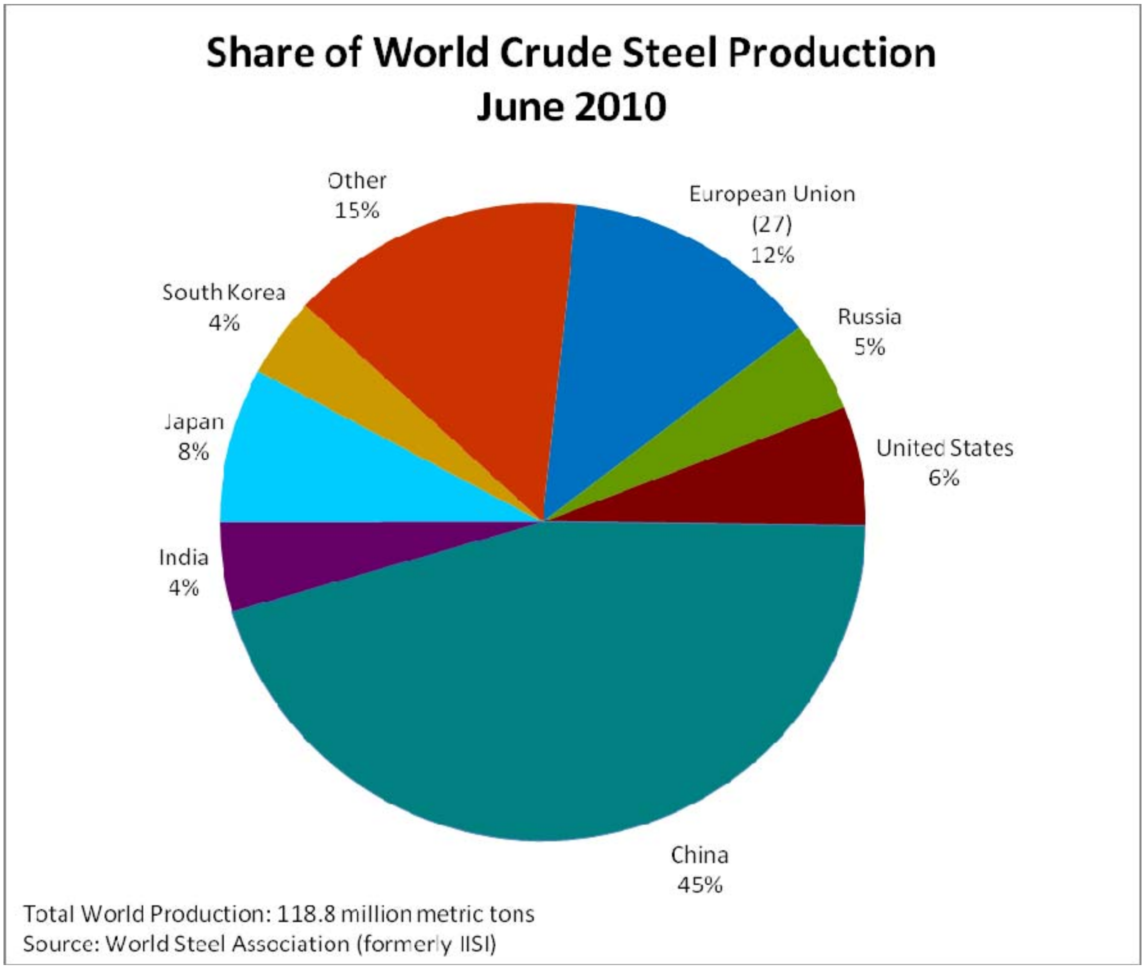

Figure 10 - Share of World Crude Steel Production

Demand

- Apparent consumption (used to measure domestic demand) for steel, excluding semi-finished products, decreased 3.4% to 7.1 million metric tons in June 2010 from 7.3 million metric tons in May 2010.
    - June 2010 demand increased 59.3% from the June 2009 level.
    - Demand in June 2010 was 33.4% lower than May 2006, when steel demand was at its highest level in recent years.

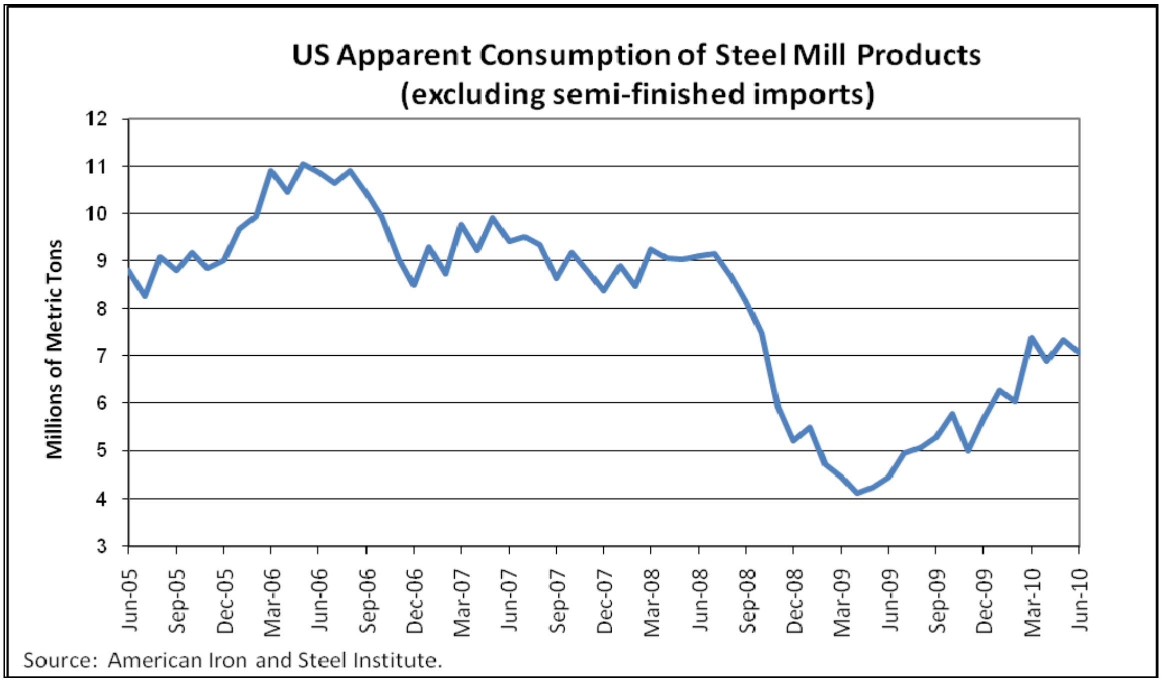

Figure 11 - U.S. Apparent Consumption of Steel Mill Products

- Import penetration for all steel mill products in June 2010 decreased to 24.6% from the May 2010 level of 26.7%. Import penetration remains well below its eight-year high point of 37.8% in January 2009 but has increased significantly since the August 2009 low of 17%.

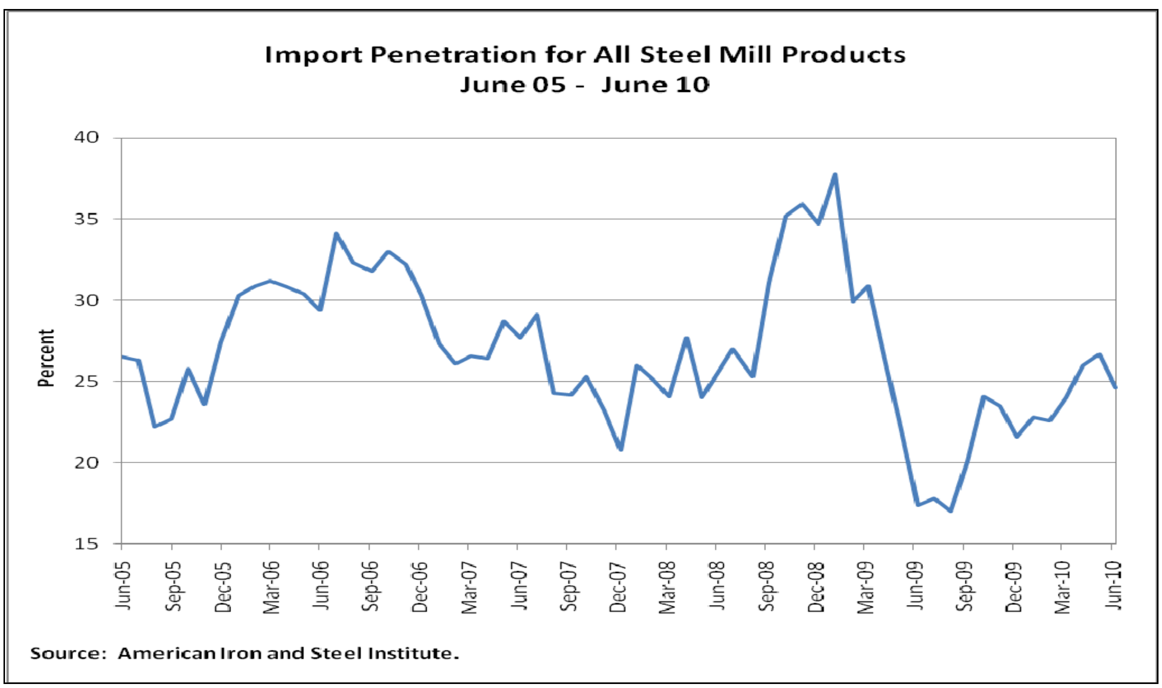

Figure 12 - Import Penetration for All Steel Mill Products

Trade Remedy Case Determinations- July/August 2010

Informal tracking of anti-dumping and countervailing case initiations, investigations, and orders applicable to steel products.

Trade Remedies undertaken by the U.S.		
Product	**Country**	**Department of Commerce Finding**
Drill Pipe	China	Affirmative Preliminary Antidumping Duty Determination

SOURCE: US Department of Commerce, Import Administration. Factsheets available at http://ia.ita.doc.gov/ia-highlights-and-news.html.

Industry Status

- As a whole, the U.S. steel industry, as represented below, posted a net gain of $139 million in the 2nd Quarter. Compared to Q2 2009, Q2 2010 figures show a general trend of gains. The Q2 net gain reverses the 6 quarter trend of industry net losses.
    - According to publicly available figures, quarterly net income for Commercial Metals Company improved from its Q1 2010 loss, but still posted a Q2 2010 net loss of $8.8 million.
    - US Steel incurred a net loss of $25 million, but has shown improvement since its six consecutive quarterly losses beginning in Q1 2009
    - Carpenter Technology, AK Steel, Nucor, and Steel Dynamics each posted net gains.
    - The net income chart includes AK Steel, Carpenter Technology, Commercial Metals Company, Nucor, Steel Dynamics, and US Steel.

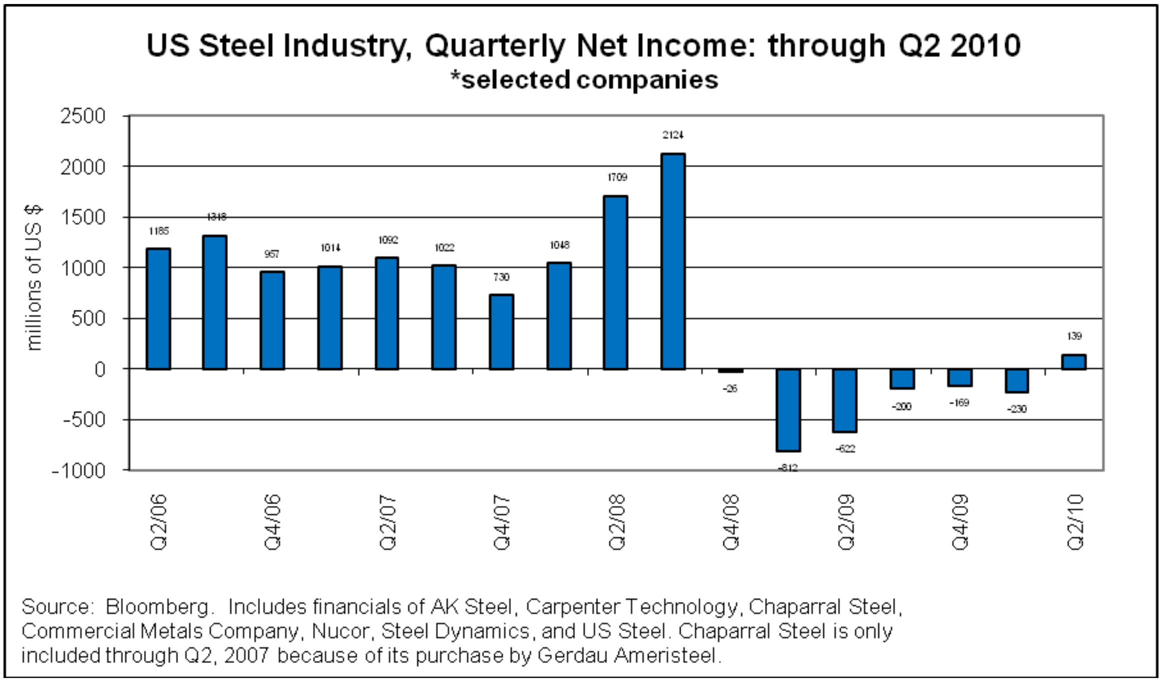

Figure 13 - U.S. Steel Industry, Quarterly Net Income

- Most charted steel stocks closed July 2010 above the month's opening levels and below 2010 opening levels.
  - All steel stocks experienced significant volatility throughout 2009 and early 2010 but performed in an overall upward trend until April 2010. Most closed July 2010 lower than July 2009 prices.
  - The steel stocks charts include the S&P 500, US Steel, Nucor, Steel Dynamics, AK Steel, and Mittal.

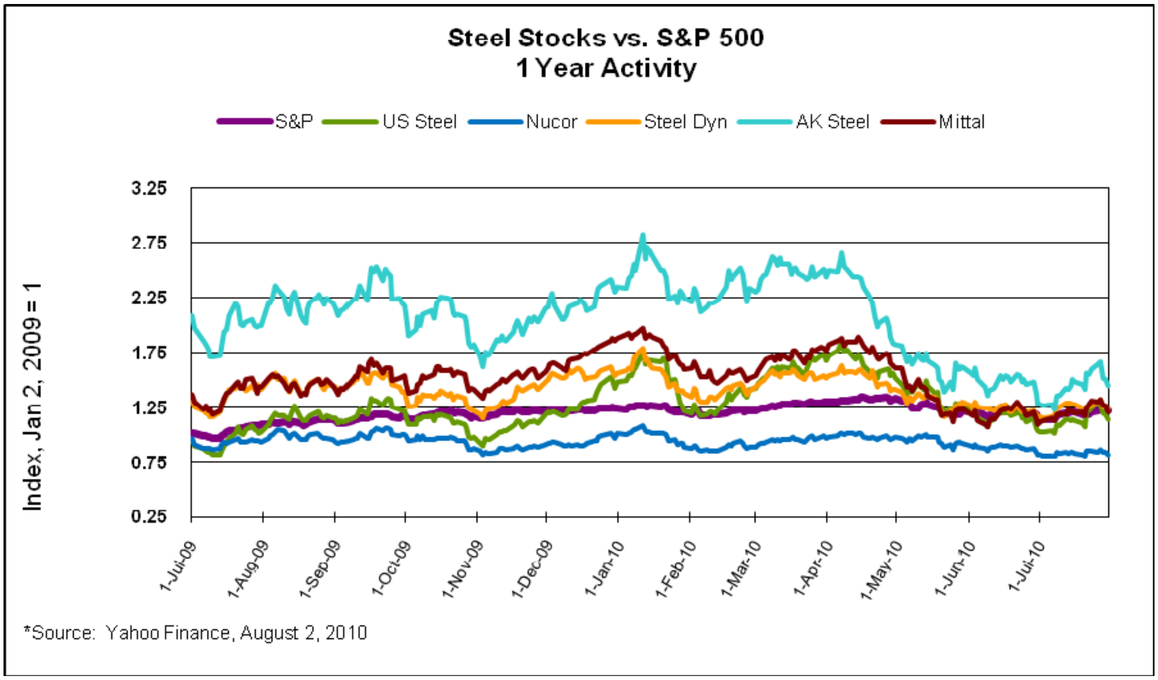

Figure 14 - Steel Stocks vs. S&P 500, 1 Year Activity

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